

REPORT ON EXAMINATION AS TO THE CONDITION OF

NEW JERSEY MANUFACTURERS INSURANCE COMPANY

TOWNSHIP OF EWING, NEW JERSEY 08628

AS OF DECEMBER 31, 2014

NAIC GROUP CODE 0708

NAIC COMPANY CODE 12122

Filed

January 25, 2016

**Commissioner
Department of Banking &
Insurance**

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September 2, 2015

Honorable Richard J. Badolato
Acting Commissioner of Banking and Insurance
New Jersey Department of Banking and Insurance
20 West State Street
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Commissioner:

In compliance with your instructions and pursuant to Insurance Laws and Rules of the State of New Jersey, a comprehensive risk focused examination has been made of the books and records and financial condition of

New Jersey Manufacturers Insurance Company
301 Sullivan Way
West Trenton, New Jersey 08628
NAIC Group Code 0708 NAIC Company Code 12122

Hereinafter referred to as the "Company".

SCOPE OF THE EXAMINATION

The New Jersey Department of Banking and Insurance, hereinafter referred to as the “NJDOBI” or “We”, have performed a full scope risk focused examination of the Company. The examination covers the period of January 1, 2010, through December 31, 2014, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The examination was conducted at the Company’s main administrative office located at 301 Sullivan Way, West Trenton, New Jersey 08628.

The Company was last examined as of December 31, 2009. The current examination was conducted concurrent with a financial condition examination of the Company's subsidiaries, New Jersey Re-Insurance Company (NJRE), New Jersey Casualty Insurance Company (NJC) and New Jersey Indemnity Insurance Company (NJI).

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identification, and assessment of inherent risks within the company and evaluation of system controls and procedures used to mitigate those risks. An examination also includes assessment of inherent risks within the Company and evaluation of systems controls and procedures used to mitigate those risks. An examination also includes assessment of the principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation, management’s compliance with statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations. The general procedure of the examination followed the rules established by the Financial Condition, Examination and Reporting Committee of the NAIC, and included such other examination procedures as were deemed necessary.

During the course of this examination, consideration was given to work performed by both the Company’s Internal Audit Department as regards to its oversight of compliance with the Annual Financial Reporting Model Regulation (the Model Audit Rule), risk analysis, documentation, test work, remediation efforts over weaknesses identified and by the Company’s external accounting firm. Certain auditor work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. However, the examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements. In addition, a review was made of the following matters to develop and understanding of the

Company's operations and its conformity with the insurance laws of the various jurisdictions in which it operates:

History and Kind of Business
Territory and Plan of Operation
Management and Control
Corporate Records
Policy on Conflict of Interest
Continuity of Operations
Intercompany Agreements
Fidelity Bond and Other Insurance Coverages
Reinsurance
Regulation of Insurance Holding Company Systems
Policy Forms and Underwriting
Employee Welfare and Pension Plans
Accounts and Records

COMPLIANCE WITH PRIOR EXAM FINDINGS

There were no prior examination report findings.

HISTORY AND KIND OF BUSINESS

The Company is the surviving corporation of a merger on January 1, 1965 of the former New Jersey Manufacturers Indemnity Insurance Company (which had been incorporated December 6, 1921 under the laws of the State of New Jersey as "New Jersey Manufacturers Association Fire Insurance Company") with and into New Jersey Manufacturers Casualty Insurance Company (incorporated under that name on June 7, 1913 pursuant to the laws of the State of New Jersey). The name of the New Jersey Manufacturers Association Fire Insurance Company had been changed to New Jersey Manufacturers Indemnity Insurance Company with the filing of an amended charter with the State of New Jersey on December 31, 1951.

The aforesaid merger was accomplished in accordance with an Agreement of Merger dated April 24, 1964, pursuant to the provisions of Section 17:27-1 et. seq. of the Revised Statutes of New Jersey with the approval of the Commissioner of Insurance given on October 28, 1964. Simultaneously, by operation of the merger, the name of the surviving company was changed to its present form, "New Jersey Manufacturers Insurance Company."

On May 4, 2004, a surplus contribution of \$ 25,000,000 was made by the Company to its subsidiary, New Jersey Casualty Insurance Company.

The Company is a domestic property and casualty insurance company and is authorized to transact the kinds of insurance authorized by paragraphs "a", "b", "d", "e", "f", "g", "i", "j", "k", "l", "m", "n" and "o", against all physical loss to buildings and structures, including consequential loss, and loss or damage to property of others caused by an insured except as

provided in paragraphs "a" to "n", inclusive of Section 17:17-1 of the Revised Statutes of New Jersey; being the kinds of insurance permitted to be written by the Company's Charter.

The capital stock of the Company is six million dollars (\$6,000,000) divided into fifteen thousand (15,000) shares having a par value of four hundred dollars (\$400) each.

The Company is the parent company of New Jersey Re-Insurance Company (NJRE) owning 499,977 shares of the 500,000 issued and outstanding shares of \$12 par value capital stock of its subsidiary. The remaining 23 shares are issued and held one each by the Directors of the New Jersey Re-Insurance Company. Additionally, in 1999 the Company financed the formation of three subsidiaries; New Jersey Casualty Insurance Company, New Jersey Indemnity Insurance Company and New Jersey Manufacturers Bank (NJMB) FSB at an amount of \$33.5 million, \$33.5 million and \$15 million respectively. NJM owns 499,977 shares of the 500,000 issued and outstanding shares of \$10 for both NJC and NJI. The remaining 23 shares, for both NJC and NJI, are issued and held one each by the Directors of each company. On December 5, 2014, NJMB's loan assets and deposit liabilities were sold to Spencer Savings Bank SLA, and NJMB concurrently ceased operations.

During the period under examination, the Company has written and issued policies for the following lines of business: residential fire and allied lines, homeowners multiple peril, workers' compensation, other liability, private passenger and commercial auto liability and auto physical damage.

The principal office of the Company is located on Sullivan Way, West Trenton, New Jersey and its mailing address is 301 Sullivan Way, West Trenton, New Jersey 08628. The agent therein and in charge thereof, upon whom process may be served against the company is Robert H. Zetterstrom, Executive Vice-President and General Counsel.

TERRITORY AND PLAN OF OPERATIONS

At December 31, 2014, the Company was licensed to transact the business of insurance in the States of New Jersey, Connecticut, Delaware, Maine, New York, Pennsylvania and Rhode Island. During the five-year period under review, the majority of the total premium writings were on risks located in New Jersey. In 2014 New Jersey premium comprised 97.3% of direct written premium.

The Company specializes in a limited number of lines of insurance under a plan of operation where eligibility for insurance includes, in addition to underwriting criteria, a requirement that the applicant be a member of the New Jersey Business and Industry Association, an employee or a spouse of an employee of an Association member, an employee of the State of New Jersey or an individual previously insured under a NJM auto or homeowners policy. In addition, the Company participates in various organizations on a voluntary basis or non-voluntarily as required by statute.

The Company is a direct writer and all business, except risks required to be accepted by statute or regulation, is processed by salaried representatives who are duly licensed insurance agents of the Company. Premiums are billed and remitted directly to the Company on a full or installment basis without finance charges, but subject to a nominal service fee. A minor portion of the Company's business is written under a payroll deduction program, with administration costs absorbed by the employer with no service or finance charges to the employees.

The Company conducts its business operations from its Home Office on Sullivan Way in West Trenton, New Jersey. At December 31, 2014 the New Jersey Manufacturers Group had a total of 2,544 full time employees located in the West Trenton home office, the northern New Jersey Branch office in Parsippany and the southern New Jersey branch office in Hammonton. The northern branch office in Parsippany and the southern branch office in Hammonton, both provide call centers, claim services, and sales operations subject to the full control and supervision of officers at the Home Office.

GROWTH OF THE COMPANY

The following exhibit shows the results of the Company's operation during the current five-year examination period:

<u>Year</u>	<u>Gross Premiums Written</u>	<u>Premium Earned</u>	<u>Net Underwriting Net Gain/(Loss)</u>	<u>Net Investment Net Gain/(Loss)</u>	<u>Admitted Assets</u>	<u>Surplus As Regards Policyholders</u>
2010	\$1,327,433,242	\$1,275,135,587	\$ 23,701,498	\$ 158,840,657	\$ 5,875,903,141	\$ 2,382,521,411
2011	1,390,173,058	1,340,124,985	(128,094,781)	146,006,650	5,892,781,784	2,253,739,636
2012	1,487,385,237	1,428,321,463	(306,246,824)	152,841,479	5,945,276,382	2,057,261,401
2013	1,627,612,415	1,533,705,460	40,747,515	209,152,208	6,282,426,923	2,273,922,844
2014	1,686,587,796	1,543,248,792	93,696,402	206,696,203	6,568,214,296	2,379,931,270

CORPORATE RECORDS

A review of the minutes of all meetings of the Board and various Committees of the Board held during the examination period indicated they were held and conducted in accordance with Company by-laws.

The Company's Secretary is required to maintain records of all meetings of the Stockholders, the Board of Directors and of the various Board Committees. The Secretary is responsible for the giving and serving of all notices of meetings and has custody of the corporate seal of the Company, which the Secretary is required to affix to any proper instrument on behalf of the Company. The Secretary also has charge of the stock certificate books, transfer books, stock ledgers, and such other books and papers (other than books of financial accounts) as the Board of Directors may prescribe and shall perform all other acts normally and properly incident to the office of the Secretary.

The Company's charter, dated April 24, 1964, was filed with the Insurance Commissioner of the State of New Jersey. Additionally, the Company acts as its own stock registrar.

MANAGEMENT AND CONTROL

The business and property of the New Jersey Manufactures Insurance Company is managed and controlled by the Board of Directors, except as otherwise provided by the by-laws.

At December 31, 2014 the Company had 23 directors of whom only 4 are officers of the Company as denoted by *. Hence, the Company was in compliance with N.J.S.A. 17:27A-4d (3). Upon review of all meetings held it was determined by the examination that the meetings were well attended. The members of the board of directors elected and serving at December 31, 2014 were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Vincent C. Bonica	William Wrigley Jr. Company - Worldwide Gum Base Operations, Retired Vice President L.A. Dreyfus Company, Retired President, CEO & Chairman of the Board
Bernard M. Flynn	NJM Insurance Group President & CEO
Caren S. Franzini	Franzini Consulting, LLC, President
James J. Gallagher	Campbell's Express, Chairman & CEO
Glenn A. Gerber	Gerber Metal Supply Company, Chairman & CEO
Edward J. Graham	South Jersey Industries, Inc., Chairman & CEO
Vaughan S. Grundy, III	IEW Construction Group, President & CEO
Steven B. Kalafer	Flemington Car & Truck Country, Chairman
Douglas R. Kuiken	Kuiken Brothers, Company, Inc., President
Clifford F. Lindholm, III	Falstrom Company, President & CEO
Mitchell A. Livingston	NJM Insurance Group, SVP & Corporate Counsel
Thomas S. Marotta	Marotta Controls, Inc., Chairman & CEO
Alexander M. McWilliams, II	Forge View Partners, Inc. President
Brian F. Neuwirth	Unex Manufacturing, Inc. President
Charles A. Prall	NJM Insurance Group, Senior Vice President & CFO
Celstina S. Quintana	McDonald's Restaurants Owner/Operator
Lisa Hirsh Schlossman	Accurate Box Co., Inc., President & CEO
J. Michael Schweder	AT&T Mid-Atlantic States, President
Robert J. Staudinger	National Manufacturing Co., Inc., President & CEO
Edward A. Stern	Kreisler Manufacturing Corporation, Co-President & Chief Corporate Officer
Anthony M. Stonis	Cardolite Corporation, President
Matthew L. Wright	Apgar Bros., Inc., Retired President, Piper Holdings, LLC, President, Chairman of Boards of NJM Directors
Robert H. Zetterstrom	NJM Insurance Group, Executive Vice President & General Counsel

The Company had various committees of the Board of Directors including an Audit Committee of which all 9 members were outside directors. Therefore, the Company was in compliance

with N.J.S.A. 17:27-4d (4). Members of the various Committees as of December 31, 2014 were as follows:

Executive Committee

Vincent C. Bonica
James J. Gallagher
Glenn A. Gerber
Edward J. Graham
Vaughan S. Grundy, III
Steven B. Kalafer
Douglas R. Kuiken
Clifford F. Lindholm, III
Alexander M. McWilliams, II
Brian F. Neuwirth
Lisa Hirsh Schlossman
J. Michael Schweder
Robert J. Staudinger
Edward A. Stern
Matthew L. Wright (Chairman)

Investment Committee

Caren S. Franzini
James J. Gallagher
Edward J. Graham
Vaughan S. Grundy, III
Douglas R. Kuiken
Clifford F. Lindholm, III (Chairman)
Thomas S. Marotta
Brian F. Neuwirth
Celestina S. Quintana
Robert J. Staudinger
Anthony M. Stonis
Matthew L. Wright

Nominating

Vincent C. Bonica
Douglas R. Kuiken (Chairman)
Alexander M. McWilliams, II
Anthony M. Stonis
Matthew L. Wright

Audit Committee

Vincent C. Bonica
Caren S. Franzini
Edward J. Graham
Steven B. Kalafer
Alexander M. McWilliams, II (Chairman)
Lisa Hirsh Schlossman
Robert J. Staudinger
Edward A. Stern

The Executive Officers serving and the positions they held at December 31, 2014, were as follows:

<u>Name</u>	<u>Office</u>
Bernard M. Flynn	President & CEO
Robert H. Zetterstrom	Executive Vice President & General Counsel
Mitchell A. Livingston	Senior Vice President & Corporate Counsel
Charles A. Prall	Senior Vice President & CFO
Thomas J. DeFalco	Vice President & Chief Actuary
Deborah A. Wean	Secretary
Anne Marie DeWan	Vice President & Treasurer

REINSURANCE

The Company had reinsurance agreements and treaties in force at December 31, 2014, providing excess, catastrophe and pro rata reinsurance for various lines of business written. The various reinsurance treaties and contracts in effect and the maximum limits of reinsurance are summarized below. Ceded coverages included:

Property Catastrophe Excess

	<u>Retention</u>	<u>Maximum Limits</u>	<u>Placement</u>
First Layer	\$ 300,000,000	\$ 300,000,000	58.340%
Second Layer	600,000,000	200,000,000	92.500
Third Layer	800,000,000	100,000,000	89.980

Workers' Compensation (Per Occurrence)

First Layer	\$50,000,000	\$ 50,000,000	100%
Second Layer	100,000,000	100,000,000	100
Third Layer	200,000,000	200,000,000	50

Assumed Coverages included:

Aggregate Excess of Loss Ratio:

The assumed treaty covers NJ Casualty Insurance Company for all business written. It provides reinsurance for 100% of \$ 92,087,000 excess 96.0% of subject Gross Net Earned Premium for all property, casualty, and surety business written. This type of cover was in place prior to the previous examination and throughout this entire examination period.

Aggregate Excess of Loss Ratio:

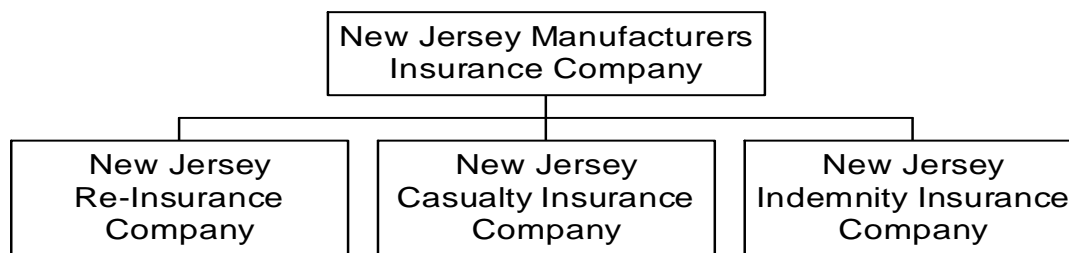
The assumed treaty covers NJ Indemnity Insurance Company for all business written. It provides reinsurance for 100% of \$ 8,545,000 excess 90.0% of subject Gross Net Earned Premium for all property, casualty, and surety business written. This type of cover was in place prior to the previous examination and throughout this entire examination period.

The Company maintained separate reinsurance intermediary-broker agreements with Holborn Corporation, JLT Re (North America) Inc. and Thomas E. Sears, Inc. These agreements were noted to be in compliance with N.J.S.A. 17:22E-6 which requires a written contract for transactions between an insurer and a reinsurance intermediary-broker.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The New Jersey Manufacturers Insurance Company is a member of an Insurance Holding Company System as defined in N.J.S.A. 17:27A-1 and is subject to the registration requirements of N.J.S.A. 17:27A-3. The Company files an annual insurance Holding Company Registration Statement on behalf of itself and its subsidiaries.

The Company and its subsidiaries, known as NJM Insurance Group, consists of the Parent, New Jersey Manufacturers Insurance Company, and three insurer subsidiaries as of December 31, 2014. The organizational chart for this group is as follows:



INTER-COMPANY AGREEMENTS

At December 31, 2014, NJM participated in inter-company agreements with its subsidiaries, NJRE, NJC, NJI and NJMB (the bank was still named on agreements as of examination date).

Concerning the insurance companies, the agreement specifies that each Company agrees to allocate the cost of certain salaries, employment benefits and overhead expenses and payments received for expenses which conforms with the methodology of the agreement. Allocations of salaries, payroll taxes and employee relations and welfare are based on annual time studies conducted or applicable operational statistics. NJM and each subsidiary agree to maintain books, accounts and records to all transactions in which costs and payments are allocated as stipulated in this agreement. The insurance subsidiaries do not have employees and thus NJM initially pays certain salary, employee benefits and other overhead costs that are charged back to each subsidiary as operating expenses. These allocated operating expenses are settled on a monthly basis by NJM affiliates.

Additionally, NJM participated in a tax allocation agreement with NJRE, NJC, NJI, NJMB and its' subsidiary, NJM Investment Company, Inc. NJM and each subsidiary agree to continue the election made in 1989 by NJM to allocate its consolidated tax liability pursuant to the method prescribed in Regulation 1.1552-1(a)(2) as authorized by Code Section 1552 and Regulation 1.1552-1(c).

NJM will pay on behalf of all subsidiaries quarterly tax deposits based on estimates of the current year tax liability of each Company. The tax liability will be computed on a consolidated tax basis with the allocation to each Company proportionately based on the relationship each

individual Company's individual tax bears to the total tax liability of each Company if filed on an individual basis.

NJM has entered into equalization agreements with its affiliates, NJC and NJI, to transfer assignments from the New Jersey Workers' Compensation Insurance Plan (WCIP) and New Jersey Personal Automobile Insurance Plan (PAIP) on behalf of the NJM Insurance Group. The equalization fee is intended to compensate the subsidiaries for assuming the residual market business for the Group, where warranted.

In addition to the agreements listed above, NJM had previously entered into lease agreements and a privacy protection agreement with its affiliate, NJMB. The separate lease agreements are for office space at the NJM's offices in Trenton, Parsippany, and Hammonton, New Jersey, with monthly rent due which was considered reasonable. Under the terms of the privacy protection agreement, NJM and NJMB agreed that any customer information that is shared among NJM and NJMB would remain confidential information and be protected according to each company's privacy policy. NJMB was to pay the Company on a monthly basis for the use of said office space, with the monthly rent considered reasonable. These agreements were terminated once NJMB operations ceased at the end of 2014.

POLICY ON CONFLICTS OF INTEREST

The New Jersey Manufacturers Insurance Company has an established policy on conflicts of interest, which is provided for and set forth in Section 5-3 of its by-laws.

Each member of the Board of Directors is required to make an annual disclosure of any material interests or affiliation on their part, which might conflict with their official duties. Each officer, as well as certain employees, is required to complete and file an annual questionnaire. The annual disclosures and questionnaires are submitted to and reviewed by the Internal Auditor in consultation with the office of the General Counsel. Upon completion of the review, the Internal Auditor reports the results of the inspection to the Board, and a motion is entered and recorded in the minutes of the Board of Directors concerning the report and findings. An examination and review of the procedures followed by the Company indicated the principles and procedures were being met as provided for in the by-laws.

EMPLOYEES WELFARE AND PENSION PLANS

The Company provides several benefit programs for its employees. On January 1, 2014, the Company closed its noncontributory defined benefit pension and employee savings plan to new employees. In place of these plans, the Company sponsored a 401(K) Plan for employees hired on January 1, 2014 and thereafter.

A list of the various plans available to the Company's employees is as follows:

- Retirement Plan – Available to employees hired on or before December 31, 2013
- Savings Fund Plan – Available to employees hired on or before December 31, 2013
- 401(K) – Available to employees hired on January 1, 2014 and thereafter

- Group Life Insurance Plan
- Disability Benefits Plan
- Healthcare Plan
- Dental Benefits Plan
- NJM Merit Scholarship Program
- Flexible Spending Plan

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The NJM Insurance Group maintains insurance coverages for the protection of its assets from losses arising out of property and casualty risks. The following listing shows the types and amounts of coverages that were in force at the examination date:

<u>Coverages</u>	<u>Limits</u>
Fidelity Bonds	\$ 2,500,000 w/ \$ 250,000 Retention
Directors & Officers Liability	10,000,000
Commercial Package Policy:	
Blanket Limit	225,000,000
Blanket Personal Property	Included
EDP	Included
Blanket Extra Expense	9,800,000
Loss of Utilities	701,000
Valuable Papers	760,000
Account/Rev	220,000
Flood	50,000,000
Earthquake	50,000,000
Blanket Limit of Insurance	1,000,000
Workers' Compensation	Statutory
Directors & Officers Travel	300,000
Pension Coverage	Statutory
Comprehensive Liability	2,000,000
Commercial Umbrella	15,000,000

The Company's insurance coverages were verified on a consolidated basis in conjunction with the other members of the Group. As of December 31, 2014 the Group had fidelity bond coverage of \$2,500,000 with retention of \$250,000.

POLICY FORMS AND UNDERWRITING PRACTICES

The Company's writings are restricted to a few lines of insurance with the largest amount of its direct premium volume (97.3%) attributable to risks written within the state of New Jersey. The Company's total direct written premiums for 2014 included 58.2% for its automobile business and 28.6% for workers' compensation. The Company maintains its underwriting department at the home office.

The Company is a subscriber to the Insurance Services Office and avails itself to the organization's policy forms, rating classes and other rate related services.

The largest net amount insured by the Company in any one risk (excluding workers' compensation) was \$9,400,700 at December 31, 2014. The Company is in compliance with N.J.S.A. 17:18-9, which limits the exposure on a single risk to an amount not exceeding 10% of the Company's net assets.

ACCOUNTS AND RECORDS

The Treasurer is responsible for the collection of all items due to the Company and for the payment of all obligations when due, and for the maintenance of full and accurate accounts thereof and of the securities of the Company. Additionally, the Treasurer will have custody of all money and securities owned by the Company subject to the direction and approval of the Board of Directors.

The Company's general ledger, investment ledger, general journal (entries), cash receipts and disbursements books, are maintained in the home office. Extensive use is made of electronic data processing in providing the essential underlying accounting and record keeping data necessary to control the insurance operations and other areas including investments, claims and personnel.

The Company's general ledger runs on an Open Systems platform under Microsoft's Windows operating system using Oracle's Peoplesoft Financials Management product. Information processing is performed on systems which are maintained centrally by the company's Information Technology department and are located in a data center at the home office location. The data center contains an IBM mainframe (zSeries), a number of HP/Intel-based servers and EMC storage systems that are used for policy and claims administrative system processing. Cisco network equipment is used to create a private network for workstation and laptop connectivity to data center facilities from within the NJM office locations. Connections to the Internet, as well as all private network facilities, are built with redundancy and failover capabilities. Load balancing and clustering are used in the application servers to provide highly reliable systems. The data center, itself, has redundant power and HVAC to maintain system availability in the event of utility disruptions.

TREATMENT OF POLICYHOLDERS

The NJM Insurance Group's complaint handling procedures as well as its complaint log were reviewed during the examination. The Group does comply with N.J.S.A. 17:29B-4(10), which requires the Company to maintain a complaint handling procedure.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A Balance Sheet as of December 31, 2014

Exhibit B Summary of Operations for the Five-Year Period Ending
December 31, 2014

Exhibit C Capital and Surplus Account for the Five-Year Period Ended
December 31, 2014

NEW JERSEY MANUFACTURERS INSURANCE COMPANY
BALANCE SHEET AT DECEMBER 31, 2014

	Current Examination	Company 12-31-14	Examination Change	Note
<u>Assets</u>				
Bonds	\$ 4,575,467,919	\$ 4,575,467,919	\$0	1
Stocks:				
Common	1,123,761,947	1,123,761,947	0	1
Real Estate - Properties Occupied by the Company	97,356,714	97,356,714	0	
Other Properties	0	0	0	
Cash and Short-Term Investments	97,415,239	97,415,239	0	1
Other Invested Assets	24,399,991	24,399,991	0	
Investment Income due and accrued	30,219,555	30,219,555	0	
Agents' Balances or Uncollected Premiums:				
Premiums and agents' balances in course of collection	19,208,466	19,208,466	0	
Premiums, agents' balances and installments booked but deferred and not yet due	410,405,707	410,405,707	0	
Accrued Retrospective Premiums	89,537	89,537	0	
Reinsurance Recoverable from reinsurers	5,950,116	5,950,116	0	
Current Federal and Foreign Income Tax Recoverable	352,965	352,965	0	
Net Deferred Taxes	163,406,820	163,406,820	0	
Electronic Data Processing Equipment	3,759,726	3,759,726	0	
Receivable from Parent, Subsidiaries and Affiliates	3,714,158	3,714,158	0	
Aggregate Write-ins for Other Than Invested Assets	12,705,436	12,705,436	0	
Total Admitted Assets	<u>\$ 6,568,214,296</u>	<u>\$ 6,568,214,296</u>	<u>\$0</u>	
<u>Liabilities</u>				
Losses	\$ 2,395,752,304	\$ 2,395,752,304	\$0	2
Loss Adjustment Expenses	\$653,635,634	\$653,635,634	0	2
Commissions Payable	95,795	95,795	0	
Other Expenses	128,930,038	128,930,038	0	
Taxes, Licenses and Fees	28,862,900	28,862,900	0	
Unearned Premiums	762,372,472	762,372,472	0	
Advanced Premiums	8,277,972	8,277,972	0	
Dividends Declared and Unpaid - Policyholders	41,351,121	41,351,121	0	
Ceded Reinsurance Premiums Payable	9,661,273	9,661,273	0	
Funds Held under Reinsurance Treaties	137,812	137,812	0	
Amounts Withheld or Retained by Company for Account of Others	35,414,768	35,414,768	0	
Remittances and Items Not Allocated	1,398,444	1,398,444	0	
Provision for Reinsurance	1,263,282	1,263,282	0	
Aggregate Write-ins for Liabilities	121,129,211	121,129,211	0	
Total Liabilities	<u>\$ 4,188,283,026</u>	<u>\$ 4,188,283,026</u>	<u>\$0</u>	
<u>Surplus and Other Funds</u>				
Aggregate Write-ins for Special Surplus Funds	\$ 30,000,000	\$30,000,000	\$0	3
Common Capital Stock	\$6,000,000	6,000,000	0	3
Gross Paid-in and Contributed Surplus	150,000	150,000	0	3
Unassigned Funds (Surplus)	2,343,781,270	2,343,781,270	0	3
Surplus as Regards Policyholders	<u>\$ 2,379,931,270</u>	<u>\$ 2,379,931,270</u>	<u>\$0</u>	
Total Liabilities, Surplus and Other Funds	<u>\$ 6,568,214,296</u>	<u>\$ 6,568,214,296</u>	<u>\$0</u>	

EXHIBIT B

NEW JERSEY MANUFACTURERS INSURANCE COMPANY
SUMMARY OF OPERATIONS FOR THE
FIVE YEAR PERIOD ENDING DECEMBER 31, 2014

<u>UNDERWRITING INCOME</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Premiums Earned	\$ 1,275,135,587	\$ 1,340,124,985	\$ 1,428,321,463	\$ 1,533,705,460	\$ 1,543,248,792
Deductions:					
Losses Incurred	\$ 831,108,910	\$ 1,000,284,440	\$ 1,212,624,513	\$ 961,669,327	\$ 953,895,153
Loss Expenses Incurred	257,937,326	283,000,890	322,706,983	312,709,626	275,541,514
Other Underwriting Expenses Incurred	162,387,853	184,418,580	198,598,090	218,204,836	220,115,723
Aggregate Write-ins for Underwriting Deductions	0	515,856	638,700	374,155	0
Total Deductions	\$ 1,251,434,089	\$ 1,468,219,765	\$ 1,734,568,287	\$ 1,492,957,944	\$ 1,449,552,390
Net Underwriting gain or (Loss)	\$ 23,701,498	\$ (128,094,781)	\$ (306,246,824)	\$ 40,747,516	\$ 93,696,402
<u>INVESTMENT INCOME</u>					
Net Investment Income Earned	\$ 152,609,397	\$ 144,463,241	\$ 133,426,516	\$ 116,878,261	\$ 115,114,401
Net Realized Capital Gains or (-) Losses	6,231,259	1,543,409	19,414,963	92,273,947	91,581,802
Net Investment Gain	\$ 158,840,657	\$ 146,006,650	\$ 152,841,479	\$ 209,152,208	\$ 206,696,203
<u>OTHER INCOME</u>					
Net Gain or Loss (-) From Agents' Balances Charged Off	\$ (725,485)	\$ (1,535,925)	\$ (292,320)	\$ (1,038,154)	\$ (810,998)
Aggregate Write-ins for Miscellaneous Income	105,700	992,921	2,065,326	1,916,458	1,763,508
Total Other Income	\$ (619,785)	\$ (543,004)	\$ 1,773,006	\$ 878,304	\$ 952,510
Net Income Before Dividends to Policyholders and Before Federal and Foreign Income Taxes	\$ 181,922,369	\$ 17,368,865	\$ (151,632,339)	\$ 250,778,028	\$ 301,345,115
Dividends To Policyholders	179,703,889	153,147,324	149,211,531	143,279,259	158,480,991
Net Income, After Dividends to Policyholder but Before Federal and Foreign Income Taxes	\$ 2,218,481	\$ (135,778,459)	\$ (300,843,870)	\$ 107,498,769	\$ 142,864,124
Federal and Foreign Income Taxes Incurred	(4,920,536)	(1,823,287)	(11,422,985)	(16,136,181)	(19,615,982)
Net Income	\$ 7,139,017	\$ (133,955,172)	\$ (289,420,885)	\$ 123,634,950	\$ 162,480,106

EXHIBIT C

NEW JERSEY MANUFACTURERS INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT FOR
THE FIVE YEAR PERIOD ENDING DECEMBER 31, 2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net Income	<u>\$7,139,017</u>	<u>(\$133,955,172)</u>	<u>(\$289,420,885)</u>	<u>\$123,634,950</u>	<u>\$162,480,106</u>
<u>Other Surplus Gains or (Losses)</u>					
Net Unrealized Capital Gains or (-) Losses	\$ 98,201,146	\$ 31,515,621	\$ 53,806,617	\$ 64,335,228	\$ 37,326,822
Change in Net Deffered Income Tax	20,294,615	65,857,093	109,944,316	(41,424,241)	(30,903,108)
Change in Non Admitted Assets	11,456,062	(93,004,619)	(24,301,553)	92,341,961	1,578,349
Change in Provision for Reinsurance	(98,527)	153,915	(1,574,217)	431,559	1,559,988
Change in Foreign Exchange Adjustment					
Cummulative Effects of Changes in Acc. Prin.	0	0	0	0	0
Change in Excess of Statutory/Stmt. Reserves	0	0	0	0	0
Change in Surplus Notes	0	0	0	0	0
Capital Changes:					
Paid In	0	0	0	0	0
Surplus Adjustments:					
Paid In	0	0	0	0	0
Dividends to Stockholders - Cash	0	0	0	0	0
Aggregate Write-ins for Gains/Losses					
In Surplus	<u>(45,769,776)</u>	<u>651,387</u>	<u>(44,932,514)</u>	<u>(22,658,014)</u>	<u>(66,033,731)</u>
Total Other Surplus Gains or (-) Losses	<u>\$ 84,083,520</u>	<u>\$ 5,173,397</u>	<u>\$ 92,942,650</u>	<u>\$ 93,026,493</u>	<u>\$ (56,471,680)</u>
Change In Surplus as Regards Policyholders for the year	\$ 91,222,537	\$ (128,781,775)	\$ (196,478,235)	\$ 216,661,443	\$ 106,008,426
Surplus as Regards Policyholders December 31, Previous Year	<u>\$ 2,291,298,874</u>	<u>\$ 2,382,521,411</u>	<u>\$ 2,253,739,636</u>	<u>\$ 2,057,261,401</u>	<u>\$ 2,273,922,844</u>
Surplus as Regards Policyholders December 31, Current Year	<u>\$ 2,382,521,411</u>	<u>\$ 2,253,739,636</u>	<u>\$ 2,057,261,401</u>	<u>\$ 2,273,922,844</u>	<u>\$ 2,379,931,270</u>

NOTE 1: INVESTMENTS

At December 31, 2014 the Company reported assets for bonds of \$4,575,467,919, common stock of \$1,123,761,947, real estate occupied by the Company of \$97,356,714 and cash and short term investments of \$97,415,239. The assets were accepted as stated.

Statutory Deposits

At December 31, 2014 the Company held a U.S. Treasury Bond with a par value of \$355,000 with the Commissioner of Banking and Insurance of the State of New Jersey in trust for the benefit and security of the policyholders of the New Jersey Manufacturers Insurance Company. The certificate was held at TD Bank as required by the State of New Jersey. Additionally, the Company held a U.S. Treasury Bond of \$100,000 with the Commissioner of Insurance of the State of Delaware in trust for the benefit and security of the policyholders of the New Jersey Manufacturers Insurance Company. The certificate was held at Wilmington Trust Company as required by the State of Delaware.

NOTE 2: LOSS AND LOSS ADJUSTMENT EXPENSES

At December 31, 2014 the Company reported a net liability for Losses and Loss Adjustment Expenses of \$3,049,387,938.

Actuarial findings, as reviewed within this examination report, are the sole responsibility of the New Jersey Department of Banking and Insurance's Property and Casualty Actuarial Unit of the Office of Solvency Regulation. It was determined that the Company's gross and net of reinsurance loss and loss adjustment expense reserves were determined to be reasonable and the balance will be accepted as stated.

The liabilities consisted of Net Loss Reserves, as reported by the Company and as determined by this examination, totaled \$2,395,752,304. Net Loss Adjustment Expense Reserves, as reported by the Company and as determined by this examination, totaled \$653,635,634.

NOTE 3: SURPLUS AS REGARDS POLICYHOLDERS

Common Capital Stock

The capital stock of the Company consists of \$6,000,000 divided into 15,000 authorized and outstanding shares of common stock having a par value per share of \$400 each.

Gross Paid In and Contributed Surplus

At December 31, 2014 the Company reported \$150,000 in paid in and contributed surplus. The contribution to surplus was paid in at the time New Jersey Manufacturers' predecessor companies were formed.

Aggregate Write-Ins for Special Surplus Funds

At December 31, 2014 the Company reported \$30,000,000 in Special Surplus Funds as a contingency reserve for policyholder dividends.

Unassigned Funds (Surplus)

The Company reported an amount for unassigned funds at December 31, 2014 of \$2,343,781,270. This balance has been accepted by this examination as stated.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

SUBSEQUENT EVENTS

On January 1, 2015, NJM deployed a new Personal Lines Policy Administration solution along with a new refined pricing plan for New Jersey new business personal auto policies. Beginning June 1, 2015, existing New Jersey personal auto policies from both NJM and NJRE were converted into the new Personal Lines Policy Administration solution utilizing the new refined pricing plan.

CONCLUSION

A regular statutory condition examination was conducted by the undersigned with the assistance of contract examiners of INS Consultants, Inc.

The examination and audit was conducted at the Company's office in Ewing, New Jersey. The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully Submitted,

/S/

Hails Taylor, CFE
Examiner-in-Charge
INS Consultants Inc.
Representing the New Jersey Department of
Banking and Insurance

Under the Supervision of

/S/

Robert Pietras, CFE
CFE Reviewer
The New Jersey Department of Banking and
Insurance

NEW JERSEY MANUFACTURERS INSURANCE COMPANY

I, Hails Taylor, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2014 to the best of my information, knowledge and belief.

Respectfully Submitted,

/S/
Hails Taylor
Examiner-In-Charge
INS Consultants Inc.

/S/
Robert Pietras, CFE
CFE Reviewer
The New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me,
on this 7th day of January, 2016.

/S/
Sheila M. Tkacs
Notary Public of New Jersey

My commission expires: July, 2020